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11 June 1956

**MEMORANDUM FOR: Chairman, CIA Career Council****SUBJECT: Government Employees Health Association**

1. The Government Employees Health Association (GEHA) was established for the sole purpose of providing payment of sickness, accident, life, or other insurance benefits to its members. The Constitution provides that any employee of the Central Intelligence Agency may become a member and any person who is eligible for membership must make application therefor and the Board of Directors is authorized to accept or reject any such application and its actions shall be final.

2. The present GEHA insurance program was the result of an exhaustive survey and report by an Insurance Task Force in the summer of 1954. Two new plans, one for group life and one for group health insurance, were developed and contracts were negotiated with the underwriting companies. These plans are considered satisfactory both in the benefits and the premium rates. The latter were fixed on the basis of Agency actuarial statistics available at the time.

3. The two main problems which the Task Force sought to surmount were the security aspects of settling cases arising in connection with covert operations under normal commercial policies and the fact that claims resulting from hazardous duty would be subject to contest by commercial companies. The GEHA program was specifically designed to cover both these problems. In the announcement of the program to the Agency in Notice 20-660-19, it was stated that the Agency has developed these insurance programs in order to provide employees with better benefits and to avoid the following problems:

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"(1) Commercial insurance companies have become somewhat cautious about selling insurance to Agency employees because of the possibility of hazardous duty. As a result, some companies will insure Agency employees only for limited amounts and usually under conditions which preclude the payment of benefits as the result of hazards sometimes found in overseas areas.

"(2) Because of security considerations, it is sometimes difficult to release sufficient information to insurance companies so that under their policies they can appropriately pay claims."

It should also be noted that the whole insurance study was undertaken at the direction of the Career Service Board in connection with the decision of that Board not to recommend a hazardous duty pay program. The report of the Executive Secretary of 8 May 1953 to the Career Service Board, paragraph 2. g., specifically states, "There is no question that there are risks and hazards connected with certain activities conducted by CIA. The policy decision taken by the Board was that these risks should be covered by insurance if possible rather than by incentive or hazardous duty pay."

4. GEHA as presently established is a nonprofit organization made up entirely of Agency personnel. The administration of its program is effected by the Insurance and Claims Branch, Employee Services Division, Office of Personnel. Notice 20-660-19 provides that insurance may be purchased by members of GEHA for staff employees, staff agents, or contract employees, or who are civilian or military personnel detailed to the Agency. It appears quite clear, therefore, that while GEHA is in corporate form, it is an Agency facility which must be fully responsive to Agency policies and requirements. This special relationship has justified the utilization of official Agency funds for direct support of GEHA on administrative costs. The Directors of GEHA are technically elected by the members for one-year terms. Nominations of candidates for Directors are dispensed with and in practice Directors are nominated by senior Agency officials.

5. A recent resolution (Tab A) of the Board of Directors has raised a question whether the policies reflected therein are clearly consistent with policies and requirements of the Agency. The facts are as follows, although the question is one of general application. For a special

... of the highest priority and of the greatest importance. A group of people were needed for highly specialized missions. The required qualifications did not exist within the Agency and it was necessary to recruit this group from volunteers without the Agency. From the start it was contemplated that on completion of their missions, the individuals would be returned to their prior status, both because that has been their present wish and because their special capabilities would not readily be absorbed in normal activities of this Agency. Long consideration was given to the method of employment and the relative merits of employment by contract appointment were studied at length. It was eventually recommended and the Director approved that they be given staff appointments for the special purposes of this project. One of the elements in this recommendation was that staff employment would qualify them for the Federal Employees Group Life Insurance Program, the so-called Eisenhower Program. In view of the nature of their missions, it was deemed of the greatest importance that this group be provided with all the benefits in the event of death that might be afforded by the Agency. Outright grants by the Agency were considered, but in view of a recently received ruling, it was determined that this would impair the rights of their dependents under the Federal Employees Compensation Act. Consequently, it was determined that the best protection would be for them to have the coverage supplied by the GEHA life insurance programs, and the first members of this group became members of GEHA.

6. One member of the group has been killed in an accident with resulting settlement under the GEHA plan. Thereupon the Directors of GEHA, not previously aware of this particular situation, met and came to the conclusion that this group were not "true" employees under their concept of the application of GEHA and should not, therefore, be eligible for membership because of the extra-hazardous nature of their duties and their relatively temporary status with the Agency. The Board further expressed the desire that extra-hazardous situations of this nature be underwritten out of official funds. On being informed of this action by the Board, the General Counsel reported to the Deputy Director (Support) a query of the propriety of the Board's action and whether that action was consistent with Agency policy. On 7 June, the Deputy Director (Support) and the General Counsel met with the Directors of GEHA to determine what issues might exist.

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The arguments put forth by the Board of Directors were that they had an over-all responsibility to the members of GEHA to obtain for them the lowest premiums and best benefits under the program and that the actuarial statistics on which the premiums were based did not contain any activity similar to this special program now in question, that extra-hazardous duties had not been contemplated in the formulation of the GEHA program and so should be underwritten out of official funds, and that in negotiations with United Benefit Life Insurance Company the company had not been put on notice that such groups engaged in extra-hazardous missions might come under the coverage of the program. The Deputy Director (Support) and the General Counsel responded that the program was designed to enable the Agency to carry out its missions in the most effective manner and that this mission necessarily included hazardous and extra-hazardous missions, that the contracts and premiums were negotiated on statistics available at that time but no one could foretell what the experience of the Agency would be in future years, that employees should not be categorized by groups but should be afforded the full support of the Agency, and that this present special group was exactly the type for which the GEHA program would serve its most useful purpose. Furthermore, the insurance company representatives had, according to the information available to the General Counsel, been fully aware that certain persons or groups might be engaged in hazardous activities. The Deputy Director (Support) took the general position that a resolution such as that adopted by the Board might have a severely detrimental long-term result. As an argument against allowing membership by this special group under consideration, members of the Board pointed out that they had been resisting pressure to allow membership for contract employees as the Board had considered them not within the contemplation of the program although the Agency notice specifically provides for them.

7. No agreement was reached at the meeting, and the Deputy Director (Support) asked the Board to report their conclusion after further consideration of the arguments. The Board later reported that it stood behind its resolutions unless means were found by which the Agency would underwrite any loss by death under this particular project. General Counsel is studying the possibilities of such under-

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...ing by the Agency, but the technical answer is not controlling on the issue here presented. It is recommended that the Career Council call a special session to meet with the members of the GEHA Board or their representatives to consider whether or not the policies now adopted by the GEHA Board are in accordance with the understanding and intent of the Career Council and with the policies and requirements of the Agency, and if not what action is required to resolve the inconsistencies.

/s/ Lawrence R. Houston  
per JSW

**LAWRENCE R. HOUSTON**  
General Counsel

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